Business Plan 2012 - 2014

Safety Authority

British Columbia Safety Authority

Business Plan

Business objectives to improve safety, reduce risk and prevent accidents in British Columbia

At the BC Safety Authority, we keep people safe. As the Province's delegated authority, we mandate the safe installation and use of technical equipment, and continuously assess the risk to human safety that comes with that installation and operation. We are self-funded and not-for-profit. We administer safety standards through education, and through issuing permits and licenses. We also enforce compliance to standards to ensure consistency and fairness, and conduct assessments – particularly inspections of high-risk situations. We continuously research trends to advance the standard of safe practices in our province.

2012
2014

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1 Corporate Overview

WHAT WE DO

We deliver safety services that apply to equipment and products, and oversee the technical safety of the following industry sectors in the province:

- Electrical equipment and systems
- Natural gas or propane appliances and systems, including hydrogen
- Boilers, pressure vessels and refrigeration systems
- Railways, including rapid transit
- Elevating devices, such as elevators and escalators
- Amusement rides
- Passenger ropeways, such as aerial trams and ski lifts

In order to prevent accidents, our services include:

- Assessing technical work and equipment, including collecting information through inspection, incident investigation and registering new equipment and designs.
- Certifying individuals and licensing contractors.
- Supporting clients in the development of equivalent standards agreements, and auditing their safety management plans.
- Taking enforcement actions that encourage an impartial and equitable safety system in BC.
- Educating our clients, including the public about safety issues to support them in controlling risks.
- Conducting research, including contributing to provincial and national code development and updating regulations for each industry sector we serve.

The BC Safety Authority operates within a legislative and regulatory framework that includes:

- *Safety Authority Act*
- *Safety Standards Act and Regulations*
- *Railway Safety Act and Regulations*
- *Administrative Tribunals Act*
- *Freedom of Information and Protection of Privacy Act*
- *Ombudsman Act*
- *Offence Act*

For further information, including our Annual Report, Annual State of Safety Report and Annual Report on Safety Regulations, visit our website at **www.safetyauthority.ca**.

BOARD OF DIRECTORS

The BC Safety Authority is governed by a Board of up to twelve Directors that monitor performance and set the organization's strategic direction in consultation with management. Directors are appointed on the basis of merit; they must meet the qualifications established in the *Safety Authority Act* and abide by a code of conduct.

The Board is organized with the following committee structure:

- Finance and Audit
- Governance and Human Resources
- Strategic Advisory
- IT Task Force

Vision

We inspire safety excellence in British Columbia.

Mission

We collaborate with British Columbians to enhance the safety of technical systems, products, equipment and work.

Values

We act with integrity, pride and trust, and we approach work based on the principles of simplicity, authenticity, and accountability. This is what they each mean to us.

WE ACT WITH...	WE APPROACH WORK BASED ON...
INTEGRITY We are impartial and use a disciplined approach.	**SIMPLICITY** To reduce complexity in our regulatory solutions and services through common sense and clear intention.
PRIDE We are passionate about protecting the public from safety risks.	**AUTHENTICITY** To express our humanity. We are people working on behalf of people.
TRUST We earn the respect and credibility of each other, our clients and the public.	**ACCOUNTABILITY** To do what we say we will do.

2 About Strategic Planning at BC Safety Authority

Background

Prior to 2009, safety services focused primarily on correcting hazards after the fact. Hazardous conditions were addressed through inspection and enforcement. To improve on this, our strategic initiatives began as a set of goals for a best-in-class regulator. We developed an operating model which we called the "Accident Prevention Model" with input and insight from a significant number of stakeholders. The model was expanded and refined to include research and education & outreach so that risks and hazards could be better managed through prevention. Today, this comprehensive set of tools supports a host of preventative activities which have greater consideration for the needs of our stakeholders and their capacity for change.

In 2010, we directed our thinking more strategically to:

- **Targeted incident reduction** – an evidence-based approach to achieving a measurable decrease in the number and severity of injuries and fatalities over time through preventative actions ranging from 'engineering in' better controls, to communicating and educating or, as a last resort, taking enforcement actions.
- **Safety system alignment** – a practical approach to developing collaborative relationships with other regulatory bodies to progressively close the gaps created by system fragmentation and create a more effective and efficient technical safety system.
- **Innovative regulation** – a knowledge-based approach enabling the BC Safety Authority to constantly enhance its regulatory strategies and service delivery methods while focusing on providing value to stakeholders.

Each of these became areas of focus for the application and continued development of the objectives of our operating model. The Board's direction, along with changes to the *Safety Standards Act* and progress with the Board's IT Taskforce, resulted in the establishment of three priorities for 2011 – and beyond:

1. **Targeted Incident Reduction**
2. **Development of Alternative Safety Approaches (ASA)**
3. **IT Business System Replacement**

While these remain key priorities today, they resulted from a medium term outlook.

Today, globalization, changes in technology, new and emerging client needs, and financial turmoil are constantly challenging the business environment, including the business of safety. We sense we are in the midst of significant change and we need the flexibility to adapt to the greater uncertainty that characterizes this environment so we are now taking a longer term outlook.

About the 2012 Business Plan

By better understanding the future, we can plan further ahead – 10 years. Accordingly, in 2011 we collaborated with a number of stakeholders to consider four possible future scenarios that will result in changes to some of the objectives in the fulfillment of our mandate. These scenarios are described in the pages that follow.

Ultimately, we find ourselves at a crossroads in the evolution of the BC Safety Authority. We have an operating model which strives to become a best-in-class regulatory regime and it is having a positive impact but the question before us is, "what is our strategy as an organization – for the long term?"

With new senior management, and the introduction of a new core production system, the BC Safety Authority is focusing on long term sustainability. We regard 2012 and 2013 as years of transition to a more client-focused organization. In 2011, the Board of Directors continued evolving the leadership of the organization and supported a significant investment in information technology. Our planning required no less of a change – we started a longer term planning process. Accordingly, our objectives reflect the duality that bridges the gap between the past and the future, along with associated activities and measures. Finally, a financial summary is prepared to outline the financial considerations and impact of this plan.

A Sustainable Business Model

Our business model aims to make us sustainable; however, that sustainability is challenged by our reliance on housing starts and renovations[1]. We can no longer rely so heavily on the housing market to stimulate the activity that generates much of our revenue. With the downturn in this market (Central 1 Credit Union forecasts 2012 housing starts to remain relatively subdued) we will likely find ourselves incurring a deficit again in 2012, the third year of this cycle.

We are not alone in this situation – other regulatory bodies are experiencing similar sustainability challenges. With that view, it is becoming increasingly obvious that a progressive approach to closing the gaps created by a fragmented safety system will create unity and achieve increased safety and efficiency for the province. Accordingly, we have begun examining our marketplace to find opportunities for consolidation where the skills of our experienced professionals and our techniques for risk-based harm reduction could be applied. For example, we are in discussions about new fields of endeavour such as safety audits in the oil and gas business in BC, and the oversight of safe installation work at BC Hydro.

The BC Safety Authority is an organization serving clients and stakeholders with widely diverse needs. A sustainable business plan will recognize the reality of disparate value propositions as today's clients comprise: homeowners, installers, operators, and others who need design reviews and certifications. The needs of our clients differ significantly from group to group, and, apart from homeowners, the needs within a client group can also vary significantly depending on the size and purpose of the client's business.

For example, we are starting to better understand the needs of our larger operators and for them we are targeting innovative regulatory products such as Alternative Safety Approaches,[2] which are characterized by a lower volume of transactions requiring more complex and skilled levels of service. However, within the same group, we also recognize that smaller operators may not have the capacity to absorb more innovative regulatory products, and their needs may be best addressed through a risk-based approach for assessment of compliance, as well as through targeted prevention activities.

This sense of emerging business models calls for simpler accountability and a sharper focus on what really matters if we are to sustain our efforts over the next 10 years. As such, in 2012 we will continue to focus on our existing operating objectives (Assessment, Research, Education and Outreach, Enforcement, and Business of Safety) but are now applying new measures which relate more specifically to desired outcomes. These are:

1. **Reduction in Unsafe Conditions**
2. **Improvement in Contribution Margin & Control of Overhead**
3. **Improvement in Client Service**
4. **Improvement in Employee Engagement & Performance**

We anticipate these outcome measures will be relevant to most client groups.

[1] Since 2008, housing starts have dropped by 24%.

[2] A voluntary and optional approach to prescriptive regulation which owners and operators of equipment may use to comply with the objectives of the Safety Standards Act.

3 Planning Context

Short-Term Planning Horizon

State of Safety

The state of safety in BC is currently reported in our annual State of Safety Report. This report provides an account of incidents investigated, non-compliances found during inspection, and enforcement actions completed. The report also includes a discussion of trends and observations from technical specialists, providing context for many BC Safety Authority initiatives and priorities.

This report can be viewed in its entirety at www.safetyauthority.ca/about/publications.

The BC Safety Authority will continue to develop state of safety communication and is working to increase both the frequency and depth of safety knowledge communications, in addition to the annual summary. By developing and sharing knowledge about safety risks, the BC Safety Authority and British Columbians are empowered to make choices to prevent accidents.

Economic

The global economic slowdown has lasted longer than originally anticipated, most recently due to increasing concern over the European debt situation and low US economic growth. This continues to subdue BC's economy, which impacts the BC Safety Authority, our stakeholders and clients. The Business Council of BC and Central 1 Credit Union anticipate a continued gradual economic recovery over the next two to three years subject to a number of risks[3]. Real GDP in British Columbia is forecast to be 2.8% in 2012. For 2013 and 2014, moderate gains are expected as the US economy improves with real GDP forecasted to grow to 3.5% and 3.4% respectively.

As the BC Safety Authority does not receive funding from the Province, almost all of our revenue is sourced through fees paid by industry, home and business owners.

With approximately 55% of revenues coming from installation permits, the construction industry has a significant financial impact on the BC Safety Authority. One indicator of the construction industry's health is housing starts. As of September 2011, Central 1 Credit Union forecast a slight increase in housing starts to 27,600 units in 2012, up from 25,900 units in 2011. For 2013 and 2014, somewhat greater increases are expected. Non-residential and other construction-related activities have improved in 2011 with increased private investment spending, and this growth is expected to continue through to 2014.

Fig. 1: BC Housing Starts (source: Central 1 Credit Union)

[3] Forecast data provided in the Economic section of this plan is based on Central 1 Credit Union Economic Analysis of BC Report, Volume 31, Issue 4, September 2011.

Approximately 45% of our safety services revenue is derived from annual operating permits, examinations, certifications, licenses and registrations. These tend to exhibit stability and modest growth during most economic conditions.

Given these forecasts for slow growth, we anticipate again operating at a deficit for 2012, which will result in a continued draw on our reserves created to sustain safety services during periods of challenging economic conditions. To reduce the size of the deficit contemplated for 2012, we must begin to increase fees sensibly, after having held them to no increase for four years. At the same time, we will continue to improve our operating efficiency and the value and efficacy of our safety services.

The financial summary section of this plan provides a more detailed discussion of our financial forecast.

Industry

Economic and regulatory changes have created an environment for safety stakeholders and clients that emphasizes technological innovation, economic efficiency, and an increasingly international marketplace. With trade barriers being reduced through national and international agreements, industries that have remained traditional in their development approach will face major challenges.

The BC Safety Authority recognizes the need to have the safety system keep pace with developments in the business environment. Our intent is to continuously improve safety outcomes while facilitating the introduction of new technology and investment in capital equipment. To this end, the BC Safety Authority has worked with stakeholders to further develop the innovative Alternative Safety Approaches program. More on this program is outlined under the priorities section.

The streamlining of BC Safety Authority business processes and supporting information system will also drive operational efficiencies, leading to long term improvements to safety.

Labour

At 945,000 sq. km British Columbia covers almost as much land space as California and Texas combined. The BC Safety Authority's mandate is just as broad, embracing seven technologies and a client base that ranges from do-it-yourself homeowners to some of the largest industries in the world. We manage a broad spectrum of risks through a flexible business model that is constantly evolving to be modern and market focused. Our contract with the people of British Columbia relies heavily on human resources and staff willing to work in remote places with diverse technologies and clients with varied needs.

British Columbia's Ministry of Labour, Citizens Services, and Open Government notes that the provincial workforce and numbers of skilled trades people are undergoing a shift – the number of individuals above age 45 is increasing while those who are between 15 to 24 is decreasing. By 2016, it is anticipated that the number of workers needed will exceed the number of workers available. By 2020, one million job openings will have been created in the province and only 650,000 young people will have entered the workforce.

The forecasted increase in education required by future jobs shows that 75% of jobs will require post-secondary education while today only 68% of jobs require this level of education. This will result in a continuing increase in the demand for skilled labour as the availability of new talent entering the market declines. Within 10 years, it is anticipated that there will be a mismatch of jobs and people with skills. There will be people without jobs due to a lack of education and there will be jobs without qualified people to fill them.

The demand for people will differ across industry and region. The industries that are expected to create jobs in the next five years are mining, gas, forestry, agri-foods, and high technology. To the extent that such industries install and operate equipment that falls within our mandate, we will recruit, train and deploy competent, qualified staff to serve the safety system across British Columbia.

Long-Term Planning Horizon

To help us think more broadly about the future business environment and identify future risks and opportunities, we have considered four plausible, divergent, and relevant future scenarios (business environments) in which the BC Safety Authority might have to operate by the year 2023. Our intent is not to select a preferred scenario but rather, to use each of them to test future strategy. Our 10 year strategy will have to be resilient in a future that might be represented by any or a combination of these future scenarios. The following table summarizes our scenarios.

Table 1: Plausible Business Environments to 2023

SCENARIO 2	SCENARIO 3
DO IT YOURSELF **Global Integration is Uneven and Tentative; the Management of Risk is Decentralized** This is a relatively volatile, market-driven world with big winners and losers. With Western governments strapped for cash, deregulation of risk management is seen as a cost-saving solution. Spearheaded by younger-gen entrepreneurs, new tech tools make this possible. Overall, this approach to risk management delivers mixed results with some high profile failures. Will the advantages — more options, less regulation — outweigh the downsides?	**APP-WORLD** **Global Integration is Massive and Transformative; the Management of Risk is Decentralized** This is a highly interconnected "global village" world. While better for many, some people are left behind. The traditional regulatory risk model is "disrupted" by bottom up approaches from new apps to using open, objective-based systems managed by social enterprises. Outcomes for safety oversight are significantly improved through this hybrid approach, though this takes much trial and error.
SCENARIO 1	**SCENARIO 4**
SAFETY CONSOLIDATED **Global Integration is Uneven and Tentative; the Management of Risk is Centralized** Triggered by a major natural catastrophe in BC, risk management is centralized and regulatory oversight is consolidated. While there are unexpected upsides to this event — namely the further harmonization of standards and coordination across organizations — BC's economy slows. Also, transaction costs are higher for business and smaller players struggle to afford to participate in the regulatory regime.	**EXPERTS KNOW BEST** **Global Integration is Massive and Transformative; the Management of Risk is Centralized** Complex global "interdependence risks" (e.g. global food supply failures) drive a top-down approach to risk management. This is done through expert-led councils, with members from the private, public and academic sectors. This technocratic approach is reinforced by a stronger China and sophisticated IT systems which enable centralized monitoring. However, ongoing concerns about potential safety lapse cover ups result in periodic backlashes to expert approach.

While the future is uncertain, some trends and events we can anticipate. These are key issues the BC Safety Authority will need to prepare for, regardless of what future scenario emerges. This list is future facing and key to making strategic decisions:

i. Technology

Data and open technology will continue to advance impacting all industries, particularly in areas of data analytics and automation. This creates an opportunity to reduce regulatory transaction costs, and improve client insights.

Trade-based technologies will evolve, requiring ongoing development of expertise within the organization. It is difficult to imagine rapid changes in IT and open systems not impacting the technologies regulated by the BC Safety Authority in ten years, both in expected and unexpected ways.

ii. Governance

The pendulum will continue to swing between de-regulation and re-regulation, implying BC Safety Authority's need to demonstrate consistent value so it remains relevant in all environments.

The risk of national and provincial political shifts will persist, further reinforcing the BC Safety Authority's need to adapt and engage with stakeholders at the provincial and national level.

iii. Workforce

As the older generation begins to retire, the BC Safety Authority will need to appeal to younger generations to attract and retain top talent.

Movement of people will further enhance BC's multi-cultural society, highlighting the need for diverse employment policies, client communications, and stakeholder engagement.

iv. Economic

Global trade will persist and market-based economies will continue to dominate. This presents BCSA with an opportunity to expand its reach to the global market and address international regulatory demands. The risk is that BC Safety Authority's jurisdiction may also be threatened by emerging international agencies.

The standard of living will continue to rise in most parts of the world, increasing the level of sophistication and expectations of the public.

v. Industry

The markets will remain unable to price social values (i.e. safety) correctly, increasing pressure to develop a new business model that integrates both social and economic success measures.

Business will continue to demand reduced transaction costs and increased efficiencies in safety oversight, placing increasing pressure on the BC Safety Authority to demonstrate value and question the viability of its business model in the longer term.

4 Operating Model & Objectives

Operating Model

Our operating model, as a subset of our current business model, aims to provide focus to our activities so that we can achieve desired safety outcomes for accident prevention. For that reason, our key objectives established in prior years, will continue to support our efforts into 2012. They include:

- Assessment (which includes inspection and audit activities)
- Research
- Education and Outreach
- Enforcement
- Business of Safety

On the whole, much of our activities follow a logical sequence. Our assessment activities identify risks and validate levels of compliance. The data gathered from these activities supports analysis, further research and problem-solving. This, in turn, targets our efforts around education and outreach. Enforcement is generally our last resort, and it is used in situations when deemed the most appropriate course of action. The business of safety comprises all supporting processes and systems which are necessary for our organization to function effectively and efficiently.

Our focus on these objectives supports the continuous improvement of safety services in British Columbia.

Fig. 1: BC Safety Authority Operating Model

Objectives

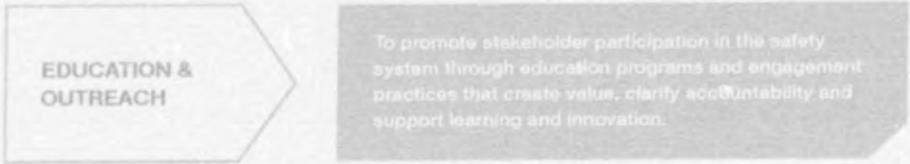
ASSESSMENT
To improve our clients' ability to manage risk and reduce the probability of incidents by examining and evaluating risk situations against our knowledge base.

This objective has two parts: first, examining risk situations by using assessment activities to gather data for research; second, evaluating risk situations. These actions are covered through a range of services proven to help control risk – from inspection, to audit, to education, and to enforcement when warranted.

Research has shown, and consultation has affirmed, that assessment activity needs to be responsive to the situation and to the client. Inspection continues to be a critical component of safety because it is a direct interface with the client. This affords the BC Safety Authority the opportunity to offer direct value that is meaningful and useful. Depending on the type of client, whether installation or operating, their level of compliance and risk, and their safety requirements, BC Safety Authority will tailor its approach for effective and efficient service delivery.

The primary purpose of research is to identify unsafe conditions within the safety system and define mitigation or risk removal activities.

Research will continue to focus on BC Safety Authority operations to ensure that safety data is captured in a manner that can be communicated and translated into risk reduction results. Research will continue to develop and support partnerships with other safety and regulatory organizations to share knowledge and coordinate efforts.


EDUCATION & OUTREACH
To promote stakeholder participation in the safety system through education programs and engagement practices that create value, clarify accountability and support learning and innovation.

The BC Safety Authority's goal of greater incident prevention seeks to have all stakeholders aware, engaged, and accountable within the technical safety system. The objective of Education & Outreach is to educate and engage stakeholders. This approach establishes practices that continuously create mutual value.

Education programs change behaviour. Programs begin with a clear definition of a specific safety hazard or risk, a required level of awareness, desired behaviours and specific audiences affected. These elements are critical to the design, production, delivery and evaluation of program content, collaboration, delivery channels, outcomes and costs.

Objectives (CONT'D)

ENFORCEMENT

To promote sustained compliance with safety legislation and to require regulated parties to take prompt action to address risks and to impose sanctions where necessary.

Enforcement fosters compliance within safety legislation and it is used with other components, particularly assessment activities.

With the consolidation of the regulation of seven technologies under the BC Safety Authority, there is a need to establish and maintain a consistent and uniform approach to enforcement and compliance. Considerable time and effort has been spent identifying and adopting appropriate policies and procedures to support a comprehensive enforcement program.

BUSINESS OF SAFETY

To apply a balanced approach to building a resilient, knowledge-based organization that is sustainable.

This objective deals with the impact our decisions have on our diverse stakeholder groups and builds a viable and progressive business. Concentrating on our business practices and systems will remain a key priority to improving safety outcomes and enabling safety excellence over the long term.

We will work to better understand and meet the needs of our clients and stakeholders in managing safety risks. We want the BC Safety Authority to excel in client service. Delivering on the BC Safety Authority's key strategies will remain a critical challenge as we move towards a more preventative safety system. Being transparent, responsible and accountable in our use of revenue will also demonstrate we are investing in the enhancement of safety services, and that appropriate reserves are in place to sustain the organization.

Priorities

In 2011 we determined three priorities which continue to be our focus for 2012:

- Targeted Incident Reduction
- Development of Alternative Safety Approaches (ASA)
- IT Business System Replacement

Targeted Incident Reduction

Targeted Incident Reduction was launched in 2011 to systematically reduce serious injuries and fatalities within the technical safety system by focusing on high-risk equipment, installations and behaviours.

In 2011, the BC Safety Authority launched a targeted incident reduction initiative in the gas technology. Combined incident data from the BC Coroner's Service, the Office of the Fire Commissioner and the BC Safety Authority highlighted a risk of carbon monoxide poisoning that motivated the BC Safety Authority to focus awareness campaigns and preventative efforts on target audiences. By following the principles of targeted incident reduction, resources and efforts were effectively deployed where the risks of carbon monoxide poisoning were highest.

In 2012, the Targeted Incident Reduction program will continue to focus on one technology and develop as follows:

- The BC Safety Authority will continue to reach out to other organizations to share information and improve its knowledge of carbon monoxide poisoning incidents.
- Carbon monoxide awareness efforts will be evaluated and, where effective, redeployed.
- Research will initiate new targeted incident reduction campaigns with the intent to objectively measure the outcomes of reduction activity.

Alternative Safety Approaches (ASA)

The *Alternative Safety Approaches Regulation* came into force on April 1, 2011. This regulation enables the implementation of Alternative Safety Approaches (ASA) using tools such as Safety Management Plans and Equivalent Standard Approaches.

ASAs represent a significant shift from prescriptive regulation to a more comprehensive and efficient co-regulatory regime. This progressive approach supports a long-time objective of making business owners take responsibility for risk rather than having them rely on inspections. Importantly, the use of ASAs will be voluntary for prospective owners who are qualified and seek to benefit from this shift.

The BC Safety Authority has developed systems, processes and a business plan to deliver these optional services. A new service of this nature represents an important opportunity to improve the technical safety of operators while facilitating investment in capital equipment and the introduction of new technology.

In 2012, we will focus on expanding this service. It is expected that such alternative options will appeal primarily to the oil and gas, propane, forestry and bio-energy sectors.

IT Business System Replacement

The IT Business System Replacement project is meant to replace the outmoded core production system we use to interact with our clients. In 2011, we moved license and certificate processes onto the new system (Phase 1). We encountered some early obstacles in system performance and while some concerns remain, users appear well satisfied with the change. Though final costs have not yet all been gathered, it appears the team completed its work with a budget overrun that was less than $100K (3.6% of Phase 1 cost).

We did not leave Phase 1 without a thorough evaluation to identify the learning points needed for even greater success in Phase 2 (permitting, assessment, etc.), which makes up about 80% of project effort and is now underway. The team studied root causes and devised solutions that will be put to use in the next phases. This learning confirmed that all three phases of the project may cost up to $2 million more than originally budgeted (up from $8.3 to $10.3 million excl. HST).

In 2012, we will focus our efforts on completing Phase 2 and on bringing the costs closer to original estimates. In addition, our suppliers were asked to cap their costs for the work being done and to deliver the same cost certainty for estimates through to the end of 2012.

We believe we have chosen the right path and the right partners. We are optimistic that the new system will provide value for money as a tool we can use towards business activities which will help us better manage data, client relationships and sustainability.

5 Measuring Performance

Organizational Measures

In 2011, the BC Safety Authority adopted a performance management framework from the Advanced Performance Institute to bring a more disciplined and strategic approach to how performance measures are developed and implemented. Our success in doing so will become apparent when we have shifted from the existing mindset of "measuring the things we can" to the new mindset of "measuring the things that matter most".

Our indicators will now be tighter and directly linked to our strategic direction. They will have a deliberate focus on outcomes and a lesser reliance on third party conducted surveys. 2012 will be a year of transition, as we will be developing and implementing new measures while continuing to track performance measures established in prior years until we reassess their relevancy to our strategic direction and objectives.

Overall Aim
Mission
Outcomes
Specific aims that will make an impact
Outputs
Specific deliverables the organization will produce to achieve its aims
Enablers
The resources, competencies and core activities necessary to deliver the outputs and outcomes

Fig. 3: Strategic Performance Management in Government and Public Sector Organizations - Advanced Performance Institute - Gerard Mac

In 2012, we will introduce four new performance measures focused on: Safety, Sustainability, Clients, and People. These are fundamental to the BC Safety Authority's purpose and relevant to its success. If we manage safety concerns, the sustainability of our efforts, the needs of our clients, and the talent, adaptability and resilience of our people, we are on the right track.

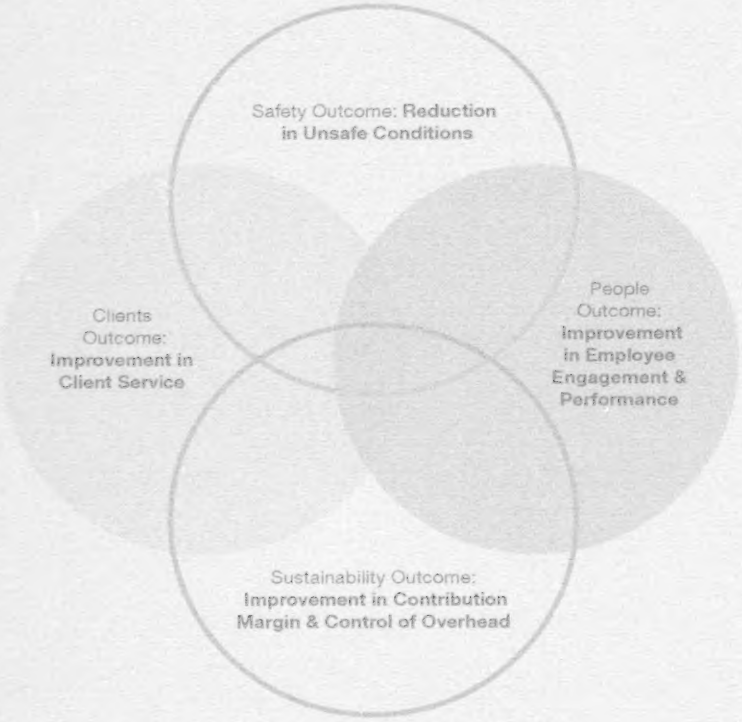

Safety Outcome: **Reduction in Unsafe Conditions**
Clients Outcome: **Improvement in Client Service**
People Outcome: **Improvement in Employee Engagement & Performance**
Sustainability Outcome: **Improvement in Contribution Margin & Control of Overhead**

Fig. 4: Organizational Measures

Transitioning Performance Measurement from Prior Years

While developing and implementing the new measures described above, we will also be reassessing performance measures established in prior years to determine what matters most. We are expecting to complete the development of our new performance measures in February 2012. The following table summarizes all measures and our transition plan.

Table 2: Summary of 2012 Measures

1. SAFETY OUTCOME: REDUCTION IN UNSAFE CONDITIONS	
Unsafe Conditions Found per Inspection	NEW – develop and implement in 2012
Targeted Incident Reduction	Continue tracking and reassess in 2012
Number of education programs under management	Same as above
Improve BC's Safety Certification Qualifications	Same as above
Higher-risk physical inspection rate improvement	Same as above
Percentage of compliance orders closed within established turn-around-time	Same as above
Percentage of compliance orders achieving compliance without further action	Same as above
Percentage of control plans documented and initiated for tasks in alarm technology	Same as above
2. SUSTAINABILITY OUTCOME: IMPROVEMENT IN CONTRIBUTION MARGIN & CONTROL OF OVERHEAD	
Contribution Margin	NEW – develop and implement in 2012
Overhead Rate	NEW – develop and implement in 2012
Revenue budget	Continue tracking as an output measure supporting the sustainability outcome
Expenditure budget	Same as above
Deficiency of revenue over expenditure	Same as above
Capital expenditure budget	Same as above
3. CLIENTS OUTCOME: IMPROVEMENT IN CLIENT SERVICE	
Service Standards	NEW – develop and implement in 2012
Client Feedback	NEW – develop and implement in 2012
4. PEOPLE OUTCOME: IMPROVEMENT IN EMPLOYEE ENGAGEMENT & PERFORMANCE	
Engagement Absenteeism Rate Turnover Rate Employee Engagement Survey*	NEW – develop and implement in 2012
Performance Performance Plans & Review Completed and Submitted Attendance to Development & Training Courses Motor Vehicle Incidents	NEW – develop and implement in 2012

*BC Safety Authority will conduct a third party survey every two years. Since the last full survey was conducted in 2011, the next survey is planned for 2013.

2012 will be a year of transition. If we manage safety concerns, the sustainability of our efforts, the needs of our clients, and the talent, adaptability and resilience of our people, we are on the right track.

6 Financial Summary

Sustaining Safety

The BC Safety Authority invests in safety programs to reduce risk for British Columbians. We do so effectively and efficiently to maintain a sound, conservative financial position. This same approach since 2008 gave us the financial strength to freeze most fees for the past four years.

The BC Safety Authority does not receive funding from the Province of British Columbia; instead we draw revenues mainly from controlling risk in installations and operations in the seven technologies we regulate. The global economic turmoil we see around us today has dampened growth in our markets. Accordingly the financial outlook for the three-year period of 2012-2014 assumes a soft recovery.

In 2012, we are forecasting a deficit of $389,000 based on revenues of $41.1 million, offset by expenses of $41.5 million. We see returning to a surplus position in 2013. By then the BC Safety Authority will have sustained deficits for three years in a row, while enhancing necessary safety programs. To date our financial reserves have been reduced by almost $2 million.

We can no longer afford periods of sustained deficit while continuing to invest in new regulatory solutions and improving client service.

Revenue Recovery

For 2012, we are anticipating total revenues of $41.1 million, up by about 5.7% from our forecasted revenues for 2011 of $38.9 million.

In addition to revenue from new initiatives, and economic growth of 2.3%, our assumptions also anticipate some increase from operating permits, where revenues are historically more stable. To bring about further improvement in revenue, mid-way through 2012 the BC Safety Authority will raise fee levels for most electrical work, gas, elevating devices, boilers, pressure vessels and refrigeration systems by maximum increases of 5% in 2012, and again by 3% in both 2013 and 2014. In rail systems we anticipate maximum increases of 10% annually for 5 years. Permit fees taken out directly by homeowners will not be impacted. Interest income from our investments in cash, money market and short-term bond funds is budgeted at $800,000 for 2012.

We do not expect the economic climate to worsen in 2013 and 2014.

Controlling Operating Expenses

We make every effort to deliver necessary safety programs as efficiently and cost effectively as possible. The BC Safety Authority does this by focusing on the areas of highest risk and applying the appropriate tools – whether it is education, inspection, research or enforcement – to achieve safety outcomes. We forecast that our operating expenses will increase to $41.5 million in 2012, an increase of 3.3% over the most recent 2011 forecast. The cost increases will either go to sustaining existing safety service levels or to emerging priorities.

Capital investments for long-term benefit

For 2012, we will spend $7.85 million in capital expenditures, $5 million of which was approved by our Board last year for Phase 2 of a two-year project to replace our core production system. With the modernization of this system, we expect to increase the breadth and depth of our client self-service capabilities and take a data-driven approach to our safety strategies. The remaining capital expenditures are to maintain our fleet vehicles and offices to a professional and safe standard.

Forward Looking Statements

There are numerous factors, some beyond our control, which could cause results to vary from expectations. Key risks to the budget are the predicted strength of the provincial economic recovery and the management of the costs of modernizing our core production system.

All forward-looking statements within this report should be understood to involve risks and uncertainties that could cause actual financial or operating results to differ significantly. The figures provided for the years 2013 and 2014 are not budgets; rather, they are forecasts that are more susceptible to vary from expectations.

Table 3: BC Safety Authority Statement of Operations

Year Ended December 31	Forecast 2011	Budget 2012	Forecast 2013	Forecast 2014
Revenue				
Service and related fees	38,011,545	40,292,326	43,673,124	45,403,136
Interest	825,000	800,000	800,000	900,000
	$ 38,836,545	$ 41,092,326	$ 44,473,124	$ 46,303,136
Expenditure				
Salaries and benefits	27,354,847	28,350,333	29,034,000	30,195,000
General operating and administration	3,738,223	3,563,062	3,635,000	3,708,000
Amortization of property and equipment	2,528,237	2,371,035	3,499,528	3,499,528
Building occupancy	2,436,389	2,592,297	2,696,000	2,804,000
Communications and information services	1,759,698	2,107,642	2,150,000	2,193,000
Transportation	1,896,607	1,993,269	2,093,000	2,197,000
Corporate governance	450,000	503,875	514,000	524,000
	40,164,002	41,481,513	43,621,528	45,120,528
Excess (deficiency) of revenue over expenditure	$ -1,327,457	$ -389,187	$ 851,596	$ 1,182,608